

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0441-02
Bill No.: Perfected HCS for HB Nos. 455 & 297
Subject: Social Services Department; Public Assistance
Type: Original
Date: April 16, 2013

Bill Summary: This proposal requires the Department of Social Services to seek a federal waiver to mandate the use of photo identification for continued eligibility in the food stamp program administered in this state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Greater than \$269,928)	(Greater than \$39,928)	(Greater than \$39,928)
Total Estimated Net Effect on General Revenue Fund	(Greater than \$269,928)	(Greater than \$39,928)	(Greater than \$39,928)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Federal Funds *	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenditures net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS) - Family Services Division (FSD)** provide the following information:

§208.182 - Waiver for Photo ID for Food Stamps:

This section requires the Family Support Division (FSD) to request a waiver to mandate the use of photo identification for continued eligibility in the Food Stamp program. Upon approval of the waiver, the FSD would be required to issue a photo identification card to each eligible household member age sixteen or older. The FSD assumes it is the intent of the sponsor of this bill to have the photo identification placed on the electronic benefits transfer card issued to each Food Stamp recipient household. While the photo would provide proof of identification, it does not provide proof of Food Stamp eligibility.

Subsection 1 of the proposal would require a separate Electronic Benefit Transfer (EBT) card be issued to all eligible household members age sixteen or older and/or the household's authorized representative with a photo of the individual included on the card. This would require the FSD to obtain photos for all household members age sixteen or older and all authorized representatives. The FSD estimates the cost to implement the provisions of this option to be greater than \$494,659 for the first year and greater than \$79,855 for the second and subsequent years.

First year costs:

The implementation of placing a photo on the EBT cards for Food Stamp (FS) recipients will require a change to the current EBT contract and the systems. The FSD estimates the costs for these changes would be as follows:

The FSD estimates a cost of \$0.60 per card to issue an initial EBT card with a photo to all household members age sixteen or older. As of November 2012, there are 545,459 individuals age sixteen or older receiving Food Stamp benefits in 440,484 Food Stamp households. This would result in an initial cost of \$327,275 ($\$0.60 \text{ per card} \times 545,459 \text{ cards} = \$327,275$, rounded down) to issue EBT cards with photos to all current FS recipients.

The FSD would need to mail at least one notice to each household notifying them to report to an FSD office to have a photograph taken. At a cost of \$0.38 per notice, the FSD would incur mailing costs of \$167,384 ($440,484 \text{ Food Stamp-only households} \times \$0.38 \text{ per notice} = \$167,384$, rounded up) to mail one notice to each household. This cost will increase if multiple notices are needed to ensure each household complies with the photo requirement.

HWC:LR:OD

ASSUMPTION (continued)

There would be additional costs relating to the EBT contract for storage of the photos and additional household member data. However, the FSD is unable to provide an estimate of these costs at this time. Therefore, the first year costs are estimated to be unknown, but greater than \$494,659 (\$327,275 + \$167,384).

Additional costs would be incurred for programming changes to the FSD's Family Assistance Management Information System (FAMIS) and EBT computer systems under either option. The FSD defers to OA-ITSD to determine and include these costs in their response.

Ongoing Costs:

After the initial card issuance, there would be ongoing yearly costs for card replacement of lost, stolen, or damaged EBT cards. The FSD estimates the cost per card is \$0.60. An average of 11,091 EBT cards are replaced each month. Therefore, the FSD estimates yearly costs would be \$79,855 (\$0.60 per card x 11,091 cards replaced per month x 12 months = \$79,855, rounded down).

However, since this proposal increases the number of EBT cards in circulation, including for children age 16 or older in FS households, the FSD anticipates the number of EBT cards replaced each month will increase. Therefore, the ongoing costs are estimated to be unknown, but greater than \$79,855.

Officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD) - DSS** provide the following information:

§ 208.182 - Waiver for Photo ID for Food Stamps:

Passage of this proposal would require modifications to the EBT system to add Food Stamp information and photos passed to the EBT vendor.

EBT System estimates:

<u>Function</u>	<u>Work Effort (hours)</u>
Analysis/Design	75
Coding	200
Testing	200
Implementation	25
Total:	500 hours

State Staff \$63.04/hr X 500 hours = \$ 31,520

HWC:LR:OD

ASSUMPTION (continued)

FAMIS is the eligibility system for Food Stamps. FAMIS would be required to mail a one-time letter to all current Food Stamp recipients with instructions regarding the photo id EBT card.

FAMIS Assumptions:

1. Photo ID on the EBT card is not required for eligibility determination for Food Stamp benefits, per phone conversation with Program and Policy.
2. Estimates for programming to generate notices to recipients assume state staff will code the one time notice.
3. Current rate for ITSD staff averages \$63.04 per hour.

One time Letter Cost: The price per foot for simplex print is \$0.03098. So the price for this one time job will be 481,528 pages X 11 inches divided by 12 = 441,401 feet X \$0.03098 = approx. \$13,675.

Total Costs for adding Food Stamps to photo id EBT card:

EBT System costs	\$31,520
One Time Letter	<u>\$13,675</u>
Total	\$45,195

Match rates for Food Stamps is 50% General Revenue (GR) and 50% Federal

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

HWC:LR:OD

ASSUMPTION (continued)

Officials from the **Department of Mental Health (DMH)** state the proposed legislation imposes no additional duties nor threatens existing revenues for the DMH and, therefore, has no fiscal impact.

Officials from the **Department of Revenue (DOR)** state the Department of Social Services has indicated to DOR that they will not be using photos stored with DOR. Therefore, the proposal will have no fiscal impact on the DOR.

Officials from the **Department of Health and Senior Services** assume the proposal would not fi

Amendment 1 - TANF benefits at casinos

In response to similar legislation filed this year, HB 156, officials from the **Department of Social Services (DSS) - Family Support Division (FSD)** state Section 208.032 of this proposal duplicates federal law found at 42 U.S.C. 608(a)(12).

Section 208.031 would require the FSD put into place a process for sanctions to be imposed if a Missouri cardholder makes a successful ATM withdrawal at any of these locations: "any casino, gambling casino, or gaming establishment." Currently, electronic benefit transfer (EBT) transactions at ATM's are voluntarily blocked by Missouri casinos. It is unknown how many casinos in other states voluntarily block EBT transactions at ATM's in their facilities. Many states that border Missouri have casinos close to the Missouri border. It is unknown how many other gaming establishments there are in Missouri that are not casinos, but have gambling activities. In addition, it is unknown if these establishments currently block, or would be willing to block, EBT transactions at ATM's in their facilities. As a result, the FSD is unable to determine how many sanctions would be imposed for successful transactions in these establishments. There will be administrative costs associated to any hearings resulting from this violation. Those costs will be addressed in the Division of Legal Services fiscal note.

Section 208.032 requires policies and procedures to be developed and set forth to ensure Temporary Assistance for Needy Families (TANF) benefits are not used at liquor stores, casinos, gambling casinos, gambling establishments or retail establishments that provide adult-oriented entertainment which do not include grocery stores that may be located within the same building or complex.

It is unclear if the FSD will have costs associated with implementing section 208.032. The passing of HR 3630 (2012) at the federal level does not establish whom costs would fall on in association with ensuring TANF benefits are not used at any of these establishments.

ASSUMPTION (continued)

Preliminary discussions with the current EBT vendor leads the FSD to believe that there will be difficulty in restricting the use of automated teller machines (ATM) that are in and around these establishments.

Possible obstacles include:

- Most ATMs are owned by banks or other financial institutions, as opposed to being owned by a casino or gaming establishment. Therefore, matching the ownership of the ATM with the business location will be nearly impossible;
- Matching the ATM address with the Casino address will not always produce reliable results. The ATM could be located at an adjoining or nearby hotel, restaurant, or service station; and,
- Any method to match up the names and addresses of ATMs and casinos (or other gaming establishments) will require a good deal of manual effort. In addition, the ATMs do not always stay in the same places.

Since the federal law found at 42 U.S.C. 608(a)(12) passed in 2012, the Department of Health and Human Services has not provided guidance to states on the implementation of this law. Therefore, the impact to the FSD is unknown.

Implementation of policy and procedures to prevent use of TANF benefits at liquor stores, casinos, gambling casinos, gaming establishments, or retail establishments that provide adult-oriented entertainment can be developed with current staff.

In response to similar legislation filed this year, HB 156, officials from the **DSS - Division of Legal Services (DLS)** state the proposal would require the Family Support Division (FSD) to put into place a process for sanctions to be imposed if a Missouri cardholder makes a successful ATM withdrawal at any of these locations: "any casino, gambling casino, or gaming establishment." Recently, Congress passed the Middle Class Tax Relief and Job Creation Act of 2012 which prevents states from allowing unauthorized spending at these types of establishments as well. [Codified in 42 U.S.C. § 608(a)(12)(A)].

The DLS anticipates there will be additional administrative hearings due to the requirements of this proposal. However, it is not possible to estimate the number of such hearings because it is not possible to determine the number of individuals who will request such a hearing. Therefore, DLS cannot estimate the potential fiscal impact.

The FSD is unable to determine if any individuals receiving TANF have been able to successfully use an ATM to make a cash withdrawal at any casino, gambling casino or gaming establishment. Therefore, DLS has no accurate data upon which to base a calculation. Currently,

ASSUMPTION (continued)

electronic benefit transfer (EBT) transactions at ATM's are voluntarily blocked by Missouri casinos. Another complication is that there is no reliable way to determine exactly where the ATMs are located. Most ATMs are owned by banks or other financial institutions, as opposed to being owned by a casino or gaming establishment. Therefore, matching the ownership of the ATM with the business location is difficult to ascertain.

DLS believes that it will take approximately two hours to conduct each hearing required by this proposal. This will include hearing preparation, the actual hearing and the writing and reviewing of the hearing decision. DLS assumes that its hearing officers can hold approximately 900 hearings per year. The hearings should not require complex evidence or facts and the cases should not require the presence of a DLS litigation attorney. Therefore, once the number of potential hearings can be estimated it will be possible to determine the fiscal impact.

Oversight assumes since the DLS cannot determine the number of potential hearings that it might be required to hold as a result of this proposal, the DLS can request additional staff and resources through the appropriations process if the number of hearings become sufficiently large enough to warrant additional funding.

In response to similar legislation filed this year, HB 156, officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD) - DSS** stated the Family Assistance Management Information System (FAMIS) would need to add a sanction code for Temporary Assistance for Needy Families (TANF) recipients and change one program to look for this code and an expiration date.

Assumptions

- ITSD Staff will make all the changes;
- Current rate for ITSD staff averages \$63.04 per hour; and,
- TANF is charged at 100% General Revenue.

Estimate

20 hours Analysis
40 hours Modify Program Module to look for new sanction code
40 hours Modify Screen to accept new sanction code
40 hours Testing
140 hours

Total Cost: 140 hours X \$63.04/hr = \$ 8,826 (rounded).

Oversight assumes OA-ITSD-DSS is given core funding to perform a certain amount of system modifications and assumes the modifications required by this proposal can be absorbed within current funding levels.

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Missouri Gaming Commission (GAM)** state this legislation provides that Temporary Assistance for Needy Families (TANF) recipients cannot use their electronic benefit transaction (EBT) cards to obtain cash from gambling establishment ATMs. Casinos in Missouri already block these types of transactions; therefore, there is no fiscal impact on the operations of the GAM, the Gaming Fund (0286), or to the Gaming Proceeds for Education Fund (0285).

Officials at the **Office of Administration** defers to the Department of Social Services for fiscal impact.

Officials at the **Missouri Senate** and the **Department of Revenue** each assume no fiscal impact from this amendment.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Costs - DSS-FSD</u>			
Equipment and expense related to issuing EBT cards with photos	(Greater than \$163,638)	\$0	\$0
Mailing costs	(Greater than \$83,692)	\$0	\$0
Replacement cards	<u>\$0</u>	<u>(Greater than \$39,928)</u>	<u>(Greater than \$39,928)</u>
<u>Total Costs - DSS-FSD</u>	(Greater than \$247,330)	(Greater than \$39,928)	(Greater than \$39,928)
<u>Costs - OA-ITSD-DSS</u>			
EBT system computer programming and letter costs	(\$22,598)	\$0	\$0
<u>Costs - DSS-FSD</u>			
Implementation of policies and procedures developed (§208.032)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Greater than \$269,928)</u>	<u>(Greater than \$39,928)</u>	<u>(Greater than \$39,928)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
FEDERAL FUNDS			
<u>Income - DSS-FSD</u>			
Increase in program reimbursements	Greater than \$269,928	Greater than \$39,928	Greater than \$39,928
<u>Income - DSS-FSD</u>			
Reimbursement for implementation costs (§208.032)	Unknown	Unknown	Unknown
<u>Costs - DSS-FSD</u>			
Increase in program expenditures	(Greater than \$247,330)	(Greater than \$39,928)	(Greater than \$39,928)
<u>Costs - OA-ITSD-DSS</u>			
Increase in program expenditures	(\$22,598)	\$0	\$0
<u>Costs - DSS-FSD</u>			
Implementation costs (§208.032)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2014 (10 Mo.)	 FY 2015	 FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal may negatively impact small business food retailers in the administrative time it takes clerks to request to the EBT card and verify the individual using the card is the person in the picture on the card.

FISCAL DESCRIPTION

This proposal requires the Department of Social Services to seek a waiver from the federal government to mandate the use of photo identification for continued eligibility in the food stamp program administered in this state. One year after approval from the federal government, the department must issue a photo identification card to each eligible household member who is 16 years old or older. Upon request, a person must present the photo identification card at issuance points, retail food stores, or meal services when exchanging benefits for eligible food. The

FISCAL DESCRIPTION (continued)

department must establish the necessary rules and regulations to implement these provisions. The rules must ensure compliance with federal law, taking into account individuals and households with special needs as well as ensuring that all appropriate household members or authorized representatives are able to access benefits from the account as necessary.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
 Information Technology Services Division/Department of Social Services
Department of Mental Health
Department of Health and Senior Services
Department of Revenue
Department of Social Services -
 Family Services Division
Joint Committee on Administrative Rules
Office of Secretary of State



Ross Strobe
Acting Director
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